

Supplemental Information re: Village FY2010 Budget

Highlights: A unique and challenging budget year!

Revenue outlook for FY2010 and years beyond involve major uncertainties as to both General Funds and *SafeSpeed* programs. However, CCV's cash position, estimated to be \$3.8 million as of June 30, 2009, is sufficient to cushion near-term impact, though not sufficient to be indifferent to the potential strains which a prolonged downturn could place on resources.

The proposed FY2010 General Funds budget maintains present ongoing programs, service levels, and staffing, but at costs that will be reduced through careful expense control and deferral of most vehicle/equipment purchases and street repairs.

The proposed budget anticipates a \$470K (i.e., thousand) FY2010 deficit and the likelihood of an even larger draw on reserves in FY2011 if tax revenues do not rebound. The budget is premised on income tax revenues of \$1.8 million in both years. The actual amount could vary plus or minus \$600K, or even more, from this estimate.

Though Village resources are adequate to cover the deficits implied by most Worst Case scenarios for two-plus years, developments will be monitored closely. The Village Board also plans to revisit the budget outlook next November, which is the earliest date tangible new data regarding income tax revenues will be available.

Budgeted real property tax revenues at \$952 thousand are based on a \$0.096/\$100 Constant Yield tax rate, down from \$0.103 in FY2009. Personal property tax revenue estimated at \$94 thousand, continuing the current \$0.66/\$100 tax rate.

As of this date, Legislative issues fundamental to the *SafeSpeed* Program are still being debated in the General Assembly. Action on a *SafeSpeed* budget along with consideration of financing for capital projects, which anticipate use of both *SafeSpeed* and General Fund resources, has therefore been deferred until later this spring.

Attached Tables:

- Table 1: Proposed FY2010 General Funds budget
- Table 2: General Fund Balances and Uses
- Table 3: Summary Comparison, FY2009 to FY2010
- Table 4: Multi-Year Summary
- Table 5: Revenue Summary
- Table 6: Expense Summary

Commentary (General Funds):

Current Year Outlook:

- Mr. Biddle now projects a \$137K surplus. The budget as approved last April authorized a \$249K deficit and \$76K of supplemental appropriations (chiefly for Phase II of staffing plan) were approved during the year. Expense savings have been realized chiefly from staff vacancies and turnover (\$134K) and deferral of several Special Projects (\$140K). Inter-governmental grants-in-aid fell short of budget, but income tax revenues appear to be coming on at least \$137K over the \$2.5 million estimate for a net revenue gain of \$52K.
- FY2009 income tax revenues are based on net taxable incomes (NTIs) earned in calendar year 2007. The state has provided data on Villagers' 2007 NTIs which support Mr. Biddle's \$2,637K estimate. However, actual results are likely to vary and will not be known until September.

Revenue outlook: FY2010 and beyond:

- As always, income tax revenues pose the greatest uncertainty, an uncertainty which is compounded by the concentration of Village incomes (and consequent tax revenues) in a small number of high wealth households. Mr. Biddle's \$1.8 million estimate is 32% below his \$2.6 million estimate for the current year. The Committee sees this as a reasonable "best guess", but notes that over the last five years, income tax revenue has ranged from under \$1.3 to almost \$3.0 million. The \$1.8 million FY2010 estimate assumes a significantly steeper drop in Villagers' '08 taxable incomes (NTIs) than is being projected for Montgomery County as a whole, reflecting the belief that Villagers' capital gain and taxable investment income may be more vulnerable to sharp declines. And while much of calendar year 2008 provided a favorable investment climate, the Committee is concerned that 2009 may bring a still further drop in CCV NTIs (affecting FY2011 CCV revenue) due to carry forward capital losses, tax breaks being extended certain businesses and retirees, and a continued slow economy.
- Real property tax revenue projected to increase approximately 1% per year from \$943 FY2009 projected level due to new construction and additions, but with tax rate derived from the County "constant yield" calculation. Personal property tax revenue is projected to be flat at \$94 thousand.
- Other General Fund revenue sources estimated to continue into FY2010 at roughly the \$604K level being realized this year, which is 10% below level that which had been expected when the FY2009 budget was prepared due to reduced highway spending. Improved investment yields are expected to offset a reduction in funds available for investment. An increase in the state police grant similarly should offset an expected reduction in County tax duplication funds. Police contracts are expected to continue with a slight increase over the current year projection of \$68K to \$73K.

General Fund Operating Expense: FY2010 and beyond.

- Personnel costs charged to General Funds proposed at \$2,424K, down \$42K from the FY2009 budget adopted last April and \$80K from the FY2009 budget as amended, reflecting a number of adjustments as listed below:

4% cost of living adjustment, all staff	\$ 70K
1.5% supplemental adjustment, police officers	10
Allowance for step increases	50
Less:	
Shift of costs to <i>SafeSpeed</i> budget	- \$134K
Reduction in Public Works temp. labor	- 10
Reduced health insurance costs	- <u>67</u>
Net change: a reduction vs. amended budget of	- 80

COLA for Village employees has for the past several years been based on the year-over-year percentage change in BLS' Baltimore Washington Urban Wage Earners and Clerical Workers Index and serves both to recognize actual past cost pressures and to position employees for their living costs in the year ahead. The 4.0% proposed adjustment is 0.6% less than the year-over-year change reported by BLS but pegs salary levels 2% over the BLS index number reported for January, 2009.¹ The 1.5% additional supplement for police is intended to keep pace with what Chief Gordon advises will be comparable increases in other local jurisdictions.

Roughly half of the cost shift from General to *SafeSpeed* funds results from an expectation that 50% of John Huffstetler's duties will be as field supervisor of the Brookville Road Walkway project; the remainder associates with the increasing proportion of time spent by Mr. Biddle, Chief Gordon and others in the program's administration. Should the program be terminated, positions fully funded from *SafeSpeed* Funds would be terminated as activity chargeable to the remaining proceeds is reduced, but costs of up to \$240K, where core staff are now spending a portion of their time on such activities, will shift increasingly back to the General Funds budget.²

When the FY2009 budget was prepared a sharp increase in health insurance costs was anticipated, but actual costs have been held this year about \$65K below the budgeted

1 The 4.0% proposal was the product of discussion with the Personnel Commission. The number is less than that granted this region's Federal employees in January, but is more than likely to be provided state and county workers for the year beginning July 1. Actual cost trends were sharply upward from July 2007 to July 2008, then declined sharply in the last quarter of FY2008, and appear now to have leveled off. If prices remain depressed, continued application of the established COLA formula would imply a negative salary adjustment in FY2011.

2 The \$240K is composed of supervisory, clerical, accounting, contracts administration and field personnel costs that would continue past the actual date speed camera operations would be suspended.

level. The FY2010 proposal is premised on these costs remaining stable through the upcoming year.

- Other Departmental Operating costs have, with the exception of legal services, been held at or below levels initially budgeted for the current year. Savings of approximately \$50K are projected in both vehicle operations and computer and technical support. Legal costs are budgeted at \$250K, \$72K over that anticipated a year ago. Both adjustments reflect actual cost experience in the current year.

- Facilities, fleet, and infrastructure budgets have been reduced in all categories:

	FY2009 <u>budget</u>	FY2010 <u>budget</u>	<u>Comment</u>
Village Hall maint./ops.	\$ 91K	\$84K	Lower gas and insurance costs
Parks, trees, greenspace	402	368	Reduced pruning, use of 2 nd arborist, etc.
Streets, walks, drains, lights	162	54	Defer all street contract work
Vehicle & equipment	162	2	Defer to FY2011 and beyond

The amounts shown above do not include costs of the Public Works staff engaged in Village Hall maintenance, sidewalk and street repair, tree planting, etc., which represent the major share of the Department's activity and therefore of its FY2010 budget (\$627K plus \$289K for refuse collection and recycling contracts).

Special Projects: In addition to the final \$100 thousand contribution to the County's purchase of the Wohlfarth property, the only projects proposed for FY2010 are \$10K for the triennial Village Resident Survey and \$12K to improve the file room in the Village Hall basement.

General Fund Operating Results and Fund Balance: Mr. Biddle anticipates that the Village will close out FY2009 with a fund balance of almost \$4 million, including roughly \$3.8 million cash (investable funds) ³. If all proceeds according to the FY2010 budget, the draw on this balance to support the FY2010 program will be \$470K, for an estimated \$3,325K fund balance as of June 30, 2010.

In order both to guide the selection of appropriate maturities for investment of these moneys and to provide a framework for assessing the adequacy of balances vis-a-vis future needs, the Board is required at least annually to designate amounts expected to be required for current operations, any known future obligations, and contingencies. Designations may also be cited to reference other expected uses and/or plans.

The set aside from June 30 fund balances for Current Operations needs to be sufficient to cover the gap between on-going expense and revenues for the period June 30 through Oct. 15, plus a sufficient on-going bank balance to cover outstanding checks. With monthly expenses in excess of \$300K and only about \$100K revenue coming in during these 3 ½

³ Accounts receivable have typically exceeded payables at year end by about \$200K and are the reason for a Cash Balance estimate \$200K under Fund Balance.

months, and adding \$25K as a buffer, the Set Aside for Current Operations needs to be in the range of \$975K, yielding a net cash remainder of approximately \$2,350K available to meet anticipated FY2011 and future year deficits, the remaining Wohlfarth obligation (\$38K), contingencies, and any capital or other projects that cannot be financed from *SafeSpeed* funds.

Prospects for Regaining Budget Equilibrium. As the economy recovers, CCV may reasonably look for recovery also in its income tax allocation though perhaps not soon to the levels to which we had become accustomed over the past several years. Just what level we can expect is unknown, but let's postulate that overall revenue may be in the range of \$3.9 - 4.3 million (the average from '06-'09, four very good years, was \$4,250K; the estimate for FY2010, only \$3,448K).

Even if there is no inflation, out-year expenses to continue existing programs - together with resumption of vehicle and equipment purchases and contract street work - will be at the upper end of this range, and inflationary and other cost increases could easily push expenses several hundred thousand higher. Termination of the *SafeSpeed* Program, together with conclusion of the Brookville Road Walkway project, could also cause up to \$240K of personnel cost to revert from *SafeSpeed* back to the General Funds budget.

In sum, it appears likely that some adjustments will be required to Village taxes, staffing, and/or services in order to regain equilibrium for the longer term. Our present cash reserve permits decisions on such matters to be deferred.

Submitted by the Budget Committee, March 20, 2009.

Samuel A. Lawrence, Chair
Dana Beyer
Clarke D. Camper
Gail S. Feldman
Michael C. Gelman
Robert L. Jones

William C. Kirby
Joel H. Levy
Emily B. Miller
Louis J. Morsberger
Martin J. Weinstein

Table 1
FY 2010 General Funds Budget
Village Operations

I. Costs	Personnel	Operations	Total
A. On-going Programs			
Department Services			
Police	\$977,497	\$77,300	\$1,054,797
Communications	345,883	26,454	372,337
Public Works	558,666	357,650	916,316
Administration	510,441	387,595	898,036
Capital/Contracts	31,915	14,525	46,440
Facilities, Fleet & Infrastructure			
Village Hall	-	84,150	84,150
Parks, Trees & Greenspace	-	368,250	368,250
Streets, Walks, Drains & Lights	-	54,500	54,500
Vehicle & Equipment Replacement	-	2,500	2,500
Subtotal	\$2,424,401	\$1,372,924	\$3,797,325
B. Special Projects			
Wohlfarth Annual Payment	-	\$100,000	\$100,000
Resident Survey	-	10,000	10,000
File Room	-	12,000	12,000
Subtotal	-	\$122,000	\$122,000
Total Costs	\$2,424,401	\$1,494,924	\$3,919,325
II. Revenue			
Income Tax	-	-	\$1,800,000
Real Estate Tax	-	-	1,046,987
Investment & Misc. Income	-	-	101,389
Cost Recoveries/Grants	-	-	500,609
Total Revenue			\$3,448,984
III. Budgeted Deficit: Draw on Reserves			(\$470,341)

Note: Amounts shown for On-going Programs are authorized for expenditure. Amounts shown for Special Projects are estimates for these projects anticipated to be brought before the Board for separate action at a later date. Revenue amounts are estimates. In the event of a shortfall, the Village Manager will consult with the Board as to action in response.

Table 2
General Fund Balances and Uses
(dollars in millions)

Estimated 6/30/09 Fund Balance	\$ 4.0
Less excess of receivables over payables	<u>0.2</u>
Estimated 6/30/09 Cash Balance (investable funds)	3.8
Uses – per budget plan:	
Set aside for 6/30 – 10/15/09 operations	1.0
Proposed FY '10 deficit (draw on reserves)	<u>0.5</u>
Remainder available to cover future operating deficits, other contingencies, and capital projects as needed to supple- ment or supplant <i>SafeSpeed</i> Funds	2.3

Table 3
Summary Comparisons: FY 2009 to FY 2010 Budget
(dollars in thousands)

	2009		2010	Difference
	Initial Budget	Current Estimate	Proposed Budget	'10 v '09 Budgets
Revenue:				
Income Tax	\$2,500	\$2,637	\$1,800	(\$700)
Property Taxes	1,041	1,039	1,047	6
All Other	687	604	602	(85)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue	\$4,228	\$4,280	\$3,449	(\$779)
Expense:				
On-going Operations				
Dept. Services	3309	3242	3287	(\$22)
Infrastructure M&O	655	621	507	(148)
Vehicle & Equipment	162	160	3	(159)
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal Operations	\$4,126	\$4,023	\$3,797	(\$329)
Special Projects/Other	\$350	\$120	\$122	(228)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expense	\$4,476	\$4,143	\$3,919	(\$557)
	<hr/>	<hr/>	<hr/>	<hr/>
Net surplus(deficit: draw on reserves)	(\$248)	\$137	(\$470)	(\$222)

Table 4

Multi-Year Summary

<i>Base Operations</i>	FY '06	FY '07	FY '08	FY '09	FY '09	FY '09	FY '10
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Budget (I)</i>	<i>Budget (C)</i>	<i>Projected</i>	<i>Proposed</i>
Revenue							
Income Tax	\$2,232,041	\$2,324,358	\$2,982,292	\$2,500,000	\$2,500,000	\$2,637,395	\$1,800,000
Real Estate and Property Tax	960,267	1,021,256	1,038,599	1,041,001	1,041,001	1,038,834	1,046,987
Rent, Interest, Fees & Other	327,046	337,300	317,812	297,617	297,617	256,528	254,038
Contract Police Services	121,448	65,310	65,205	70,080	70,080	68,000	72,960
Other Government	270,438	342,554	313,361	318,817	318,817	278,837	275,000
	-----	-----	-----	-----	-----	-----	-----
Subtotal	\$3,911,240	\$4,090,778	\$4,717,268	\$4,227,515	\$4,227,515	\$4,279,594	\$3,448,984
Continuing Operations							
Personnel	\$1,713,880	\$1,890,633	\$2,130,432	\$2,466,256	\$2,504,260	\$2,378,152	\$2,424,401
Non-Personnel Operations	949,080	1,134,099	1,217,098	1,335,263	1,360,322	1,328,386	1,315,924
Infrastructure	241,710	170,779	163,807	162,500	175,500	156,500	54,500
Fleet/Equipment Replenishment	122,753	126,313	110,269	162,000	162,000	159,828	2,500
	-----	-----	-----	-----	-----	-----	-----
Subtotal	\$3,027,423	\$3,321,824	\$3,621,606	\$4,126,019	\$4,202,083	\$4,022,866	\$3,797,325
Operating Margin	\$883,817	\$768,954	\$1,095,662	\$101,496	\$25,433	\$256,728	(\$348,341)
Special Projects							
Departments	\$9,013	\$37,487	\$122,655	\$45,000	\$45,000	\$20,000	\$12,000
Parks	21,780	39,900	0	\$40,000	40,000	0	0
Building	41,939	37,456	34,507	\$75,000	75,000	0	0
Wohlfarth Property	100,000	100,000	100,000	\$100,000	100,000	100,000	100,000
Brookville Road	45,800	47,430	0	0	0	0	0
Resident Surveys/Staffing Assessments	0	6,737	22,500	0	0	0	10,000
Streetlights/Comm Networks	0	17,724	0	0	0	0	0
Connecticut Avenue	14,525	31,499	0	0	0	0	0
	-----	-----	-----	-----	-----	-----	-----
Subtotal	\$233,057	\$318,233	\$279,662	\$260,000	\$260,000	\$120,000	\$122,000
Other							
Phase 3 Staffing	\$0	\$0	\$0	\$90,170	\$52,170	\$0	\$0
	-----	-----	-----	-----	-----	-----	-----
Total Expenses	\$3,260,480	\$3,640,057	\$3,901,268	\$4,476,189	\$4,514,253	\$4,142,866	\$3,919,325
	-----	-----	-----	-----	-----	-----	-----
Overall Surplus (Deficit)	\$650,760	\$450,721	\$816,000	(\$248,674)	(\$286,737)	\$136,728	(\$470,341)
	=====	=====	=====	=====	=====	=====	=====
Year End Reserves	\$2,591,717	\$3,042,438	\$3,858,439	\$2,793,765	\$2,755,701	\$3,995,167	\$3,524,826

Table 5

Revenue Summary*Base Operations*

	FY '06	FY '07	FY '08	FY '09	FY '09	FY '10
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Budget</i>	<i>Projected</i>	<i>Proposed</i>
Income Tax:	\$2,232,041	\$2,324,358	\$2,982,292	\$2,500,000	\$2,637,395	\$1,800,000
Real Estate Tax:						
Individual Property	\$240	\$103	\$2,776	\$145	\$145	\$145
Corporate Property	70,536	81,370	84,655	83,000	85,000	84,655
Corporate: Utilities	9,772	10,473	8,974	9,526	9,000	8,974
Real Estate	878,809	927,702	933,782	947,700	943,120	952,551
Prior Year Collections	910	1,608	8,412	630	1,569	662
Subtotal	\$960,267	\$1,021,256	\$1,038,599	\$1,041,001	\$1,038,834	\$1,046,987
Investment & Misc Income:						
Cable TV Franchise Fees	\$7,570	\$7,706	\$8,131	\$8,000	\$8,500	\$8,000
Interest Income	77,612	159,550	111,314	119,042	88,744	91,889
Sale Of Property	4,051	3,010	110	500	0	500
Miscellaneous	823	6,910	2,678	1,000	1,200	1,000
Subtotal	\$90,056	\$177,176	\$122,233	\$128,542	\$98,444	\$101,389
Cost Recoveries/Grants:						
County Tax Duplication	\$102,362	\$105,837	\$105,837	\$105,837	\$105,837	\$85,000
Martin's Additions -PCS	47,596	46,576	38,456	43,200	38,000	38,400
Village Of Chevy Chase: Sec 3 - PCS	10,100	7,910	9,149	10,800	9,000	7,680
Chevy Chase View - PCS	10,257	10,824	17,600	16,080	16,500	19,200
Other/Trials/Section 5	42,887	0	0	0	4,500	7,680
Somerset - PCS	10,608	0	0	0	0	0
Grants/Extrardinary	28,321	0	9,775	0	9,561	0
Recycling Revenue	0	0	2,384	3,500	800	800
State Police Grant	86,740	87,708	89,009	87,980	98,000	115,000
Licenses, Permits, Fees & Fines	39,613	56,624	49,299	50,985	39,375	39,900
000-4310-100 Fines - Parking	12,700	11,528	7,256	11,816	7,200	7,200
000-4320-100 Fines - Ordinance	2,065	1,550	565	180	2,000	1,600
000-4330-100 Fingerprinting Requests	0	0	4,934	2,233	4,500	4,950
000-4350-100 Licenses - Business	675	33	0	55	50	50
000-4360-100 Licenses - Other/R-O-Way	700	350	2,000	1,799	1,800	2,000
000-4410-100 Permits - Building	16,235	25,187	26,090	23,359	17,500	17,500
000-4411-100 Tree Removal Permit	9,100	11,748	7,700	10,846	6,000	6,000
000-4420-100 Permits - Sign	372	388	254	383	300	300
000-4430-100 Permits - Other	1,817	5,840	500	316	25	300
Refuse - Church/Day Care	1,855	1,855	1,391	2,000	1,855	2,000
Belmont Buffer Stipend	16,962	17,644	18,005	18,815	18,827	19,392
Reimbursements _ Post Office	0	0	27,481	0	4,500	4,500
Rental Income - Post Office	72,275	72,275	73,867	76,275	75,166	78,057
Rental Income - Hall	17,305	16,980	13,377	17,500	8,000	8,000
Highway User Fees	137,944	143,755	118,515	125,000	75,000	75,000
Subtotal	\$624,825	\$567,988	\$574,144	\$557,972	\$504,921	\$500,609
Total Revenue	\$3,907,189	\$4,090,778	\$4,717,268	\$4,227,515	\$4,279,594	\$3,448,984

Table 6

Expense Summary*Base Operations*

	FY '08	FY '09	FY '09	FY '09	FY '10
	<i>Actual</i>	<i>Budget (I)</i>	<i>Budget (C)</i>	<i>Projected</i>	<i>Proposed</i>
	<i>Subtotals</i>	<i>Subtotals</i>	<i>Subtotals</i>	<i>Subtotals</i>	<i>Subtotals</i>
Police					
Personnel	\$810,543	\$957,280	\$989,281	\$932,279	\$977,497
Operations	92,163	105,534	115,095	91,555	77,300
	-----	-----	-----	-----	-----
	\$902,706	\$1,062,814	\$1,104,376	\$1,023,834	\$1,054,797
Communications					
Personnel	\$299,610	\$335,751	\$341,756	\$332,883	\$345,883
Operations	21,368	27,956	27,956	20,449	26,454
	-----	-----	-----	-----	-----
	\$320,978	\$363,707	\$369,712	\$353,332	\$372,337
Public Works					
Personnel	\$549,029	\$633,299	\$633,299	\$590,677	\$558,666
Operations	314,113	377,800	377,800	335,850	357,650
	-----	-----	-----	-----	-----
	\$863,142	\$1,011,099	\$1,011,099	\$926,527	\$916,316
Administration					
Personnel	\$455,997	\$511,381	\$511,381	\$493,636	\$510,441
Operations	341,223	319,988	319,986	401,967	387,595
	-----	-----	-----	-----	-----
	\$797,220	\$831,369	\$831,367	\$895,603	\$898,036
Capital/Contracts					
Personnel	\$13,076	\$28,544	\$28,544	\$28,676	\$31,915
Operations	1,597	11,235	11,235	13,375	14,525
	-----	-----	-----	-----	-----
	\$14,673	\$39,779	\$39,779	\$42,051	\$46,440
All Departments					
Personnel	\$2,128,255	\$2,466,256	\$2,504,260	\$2,378,152	\$2,424,401
Operations	770,464	842,513	852,072	863,196	863,524
	-----	-----	-----	-----	-----
	\$2,898,719	\$3,308,768	\$3,356,333	\$3,241,348	\$3,287,925
FFI					
Building	\$70,845	\$90,600	\$90,600	\$88,090	\$84,150
Parks, Trees & green Space	373,654	402,150	417,650	376,100	368,250
Streets, Walks, Drains & Lights	163,807	162,500	175,500	156,500	54,500
Vehicles & Equipment	111,112	162,000	162,000	159,828	2,500
	-----	-----	-----	-----	-----
Subtotal	\$719,418	\$817,250	\$845,750	\$780,518	\$509,400
Special Projects	\$279,662	\$260,000	\$260,000	\$120,000	\$122,000
Other (Staffing Phase 2, 3)	0	90,170	52,170	0	
	-----	-----	-----	-----	-----
Grand Total Expenses	\$3,897,799	\$4,476,188	\$4,514,253	\$4,141,866	\$3,919,325